

INDIANA FINANCE AUTHORITY INVESTMENT POLICY

I. General Intent

The purpose of this document is to establish an investment policy for the Indiana Finance Authority (IFA). The Board is responsible for fiduciary oversight of these invested funds. The Board has chosen these policies as the most appropriate policies to describe the objectives listed below. This policy applies to bond proceeds, gross revenues and other funds for which the IFA and appropriate trustee(s) have investment responsibility.

II. Objectives

The primary objectives, in priority order, of the IFA's investment program shall be:

1. Safety -- Safety of principal shall be the foremost objective of the investment program. Investments shall be made in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Credit risk will be minimized by diversification and by limiting investments to the safest types of securities.

Market risk will be minimized by structuring the portfolio so that securities mature to meet cash requirements thereby avoiding the need to sell securities prior to maturity, and by investing primarily in shorter term securities.

2. Liquidity -- The investment portfolio shall be structured so that investments mature concurrent with anticipated cash demand. Further, since all cash demands cannot be anticipated, the portfolio shall consist primarily of cash equivalents and securities with active secondary or resale markets.
3. Yield -- The investment portfolio shall be structured with the objective of attaining a market rate of return taking into account the constraints of risk and liquidity describe above. Return on investment is less important than safety and liquidity. Return on investment should be in excess of inflation.

Securities shall not be sold prior to maturity with the following exceptions:

1. A declining-credit security can be sold early to minimize potential loss of principal.
2. A security can be sold and replaced with another if such action improves the quality or yield of the portfolio.
3. A security can be sold early to meet liquidity needs.

III. Delegation of IFA

The authority to operate and manage the investment program for all funds is granted to authorized signatories of IFA. The Chief Financial Officer in conjunction with the Executive Director shall establish controls and procedures to implement this program which shall include regular reporting to the IFA Board.

IV. Standard of Care

1. Prudence -- Investments shall be made in accordance with the prudent investor standard. This standard provides that an investor, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Investment officers acting in accordance with this investment policy and any written procedures and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expected results are reported in a timely fashion and appropriate action is taken to control adverse developments.

2. Ethics and Conflict of Interest -- Those involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the IFA's investment program, or that could impair their ability to make impartial decisions. Officers should also maintain knowledge of all applicable laws, rules, and regulations; and not knowingly violate, participate, or assist in violation of such laws rules and regulations.

V. Allowable Investments

1. The IFA is only permitted to invest in securities authorized by the applicable trust indenture which authorizations are reproduced in Appendices A-D and which are made a part of this policy. This policy only relates to the investment of cash within bond indentures to the extent it is not invested in purpose investments, i.e. mortgage loans, Mortgage Backed Securities insured by Fannie Mae, Freddie Mac, and Ginnie Mae, and long-dated United States Treasury Securities required under the Indenture or by the IRS. This policy also allows IFA to hold in its' General Fund, assets that were purpose assets under the various Indentures and have been transferred to the General Fund because of various bond refundings including mortgage loans, Mortgage Backed Securities insured by Fannie Mae, Freddie Mac, and Ginnie Mae, and long-dated United States Treasury Securities.

It is the policy of the IFA to limit allowable investments to the following list of securities.

- United States Government Securities
 - Treasury Notes
 - Treasury Bills
 - Treasury Bonds
- United States Agency Obligations
 - Government National Mortgage Association (GNMA)
 - Farmers Home Administration (FmHA)
 - Small Business Administration (SBA)
 - General Services Administration (GSA)
 - Federal Housing Administration (FHA)
 - Housing and Urban Development (HUD)
 - Financial Assistance Corporation (FAC)
 - Student Loan Marketing Association (SLMA)
 - Tennessee Valley Authority (TVA)
 - (Including any securities with full faith and credit of the US Government)
- United States Instrumentality Obligations
 - Federal National Mortgage Association (FNMA)
 - Federal Home Loan Banks (FHLB)
 - Federal Home Loan Mortgage Corporation (FHLMC)
 - Federal Farm Credit Banks (FFCB)
 - Federal Land Bank (FLB)
 - (Instrumentality obligations must be in the two highest rating categories by Moody's)
- Obligations of States of the United States or their subdivisions
 - must be rated in the highest long term rating category by Moody's
- Institutional Money Market Mutual Funds:
 - Seeks to maintain a net asset value of \$1.00 per share
 - are "no load", (meaning no commission or fee shall be charged on purchases or sales of shares)
 - Limit assets of the fund to U.S. Treasury securities, Federal Instrumentality securities, and repurchase agreements collateralized by the same, or are AAA rated
 - Have a maximum stated maturity and weighted average maturity in accordance with Federal Securities Regulation 2a-7

- Commercial Paper rated in the highest rating category by Moody's, with a maturity not to exceed 270 days
 - Repurchase Agreements: Permitted collateral shall be:
 - Bonds or notes issued by the United States Treasury, or other securities guaranteed as to principal and interest by the Government of the United States, its agencies, instrumentalities, or establishments
 - Mortgage-backed securities sponsored by agencies of the Government of the United States
 - Corporate obligations of domestic and foreign issuers with a minimum rating of Aa3 by Moody's Investor Services, Inc. ("Moody's")
 - Asset-backed securities with a minimum rating of Aa3 by Moody's or money market instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper issued by domestic issuers with a minimum rating of A-1 by S&P and P-1 by Moody's)
 - A repurchase agreement shall be deemed to be an acquisition of the underlying securities, provided that the obligation of the seller to repurchase the securities from the Fund is fully collateralized
 - Investment Agreements: Security, or debt related to agreement, and qualified institution must both be rated at least Aa3 if greater than 24 months until maturity. Moody's rating of P1 for those less than 24 months until maturity.
 - Time certificates of Deposit with maturities not exceeding five years, in state or nationally chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation and do not exceed \$100,000.
2. Additional securities allowable under the appropriate trust indenture may be added to the above approved list with the recommendation of the Chief Financial Officer and approval of the Executive Director. All such additions shall be reported to and approved by the IFA at the next regular meeting.
 3. It is the policy of the IFA that investments are not permitted in certain derivatives, nor in certain mutual funds which invest primarily in such securities. Investments prohibited by this policy are characterized as being illiquid, highly volatile and difficult to value. Prohibited securities include, but are not limited to, mortgage derivatives such as Z-bonds, PAC-2s, and Re-REMICS
 4. It is the policy of IFA pursuant to IC 5-20-1-4(29) to allow for the use of certain swap agreements (as defined in IC 8-9.5-9-4) as part of their bond issuance pursuant to the guidelines of IC 8-9.5-9-5 and IC 8-9.5-9-7 (Appendix E). These agreements include a rate swap agreement, basis swap, forward rate agreement, interest rate option, rate cap agreement, rate floor agreement, rate collar agreement, or any other

similar agreement (including any option to enter into any of the agreements described above).

VI. Investment Parameters

1. Maximum Maturities -- to the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the IFA will not directly invest in securities maturing more than five years from the date of purchase.
2. Average Maturity -- The average weighted maturity of the portfolio should not exceed two years.
3. Diversification -- Investments shall be diversified by type of security and institution. Except for cash equivalents, Indenture purpose investments, and United States Government Securities, the total portfolio shall consist of no more than (approximately) 40% of any single type of security.
4. In lieu of specific investment directives the Chief Financial Officer may issue general directives to the appropriate trustee for investment of certain funds which directives shall be consistent with this policy and the appropriate trust indenture.

VII. Authorized Brokers/Dealers

1. Authorized financial dealers and institutions -- All financial institutions currently serving as trustee for any component unit of the IFA are authorized to provide investment services, including investment advice, to the IFA. In addition, the Chief Financial Officer shall maintain a list of brokers/dealers authorized to provide the IFA with investment services and advice. Such list shall be reported to the IFA on a regular basis. Broker/dealers may be primary dealers or regionally recognized dealers. However, any broker/dealer which desires to serve in any capacity other than advisor shall provide the IFA with the following:
 - Current audited financial statements
 - Proof of National Association of Securities Dealers (NASD) certification
 - Certification of having read the IFA's Investment Policy
2. The Chief Financial Officer, with the approval of the Executive Director, is authorized to enter into safekeeping agreements, wire transfer agreements or other

agreements necessary or useful in administering this policy.

3. The Chief Financial Officer shall conduct an annual review of the financial condition and registration of all broker/dealers on the authorized list.

VIII. Safekeeping and Custody

1. All investment transactions, including those completed by telephone, shall be supported in writing and approved by an authorized signatory of IFA. Written communication may be made by facsimile on IFA letterhead.
2. Book Entry -- The IFA shall strive to invest in book entry securities thus avoiding physical delivery of securities. No securities shall be physically stored or kept in the offices of the IFA.
3. Custodial Safekeeping -- Securities purchased from any bank or dealer, including collateral when appropriate, shall generally be placed with the appropriate trustee or with an independent third party for safekeeping.

Any security that is wireable over the FedWire will be safe kept in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.

Non FedWireable securities held by the Depository Trust Corporation (DTC) shall be held in the name of the IFA or trustee through the appropriate custodial bank.

Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for the IFA or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by the IFA or the appropriate trustee).

4. Delivery vs. Payment -- All securities will be held in accounts in the name of the IFA or the appropriate trustee. Securities will be deposited prior to release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

IX. Performance and Reporting

1. Quarterly Report -- The Chief Financial Officer shall prepare an investment report at least quarterly which report shall include a management summary that provides a clear picture of the status of the portfolio and transactions made over the preceding quarter. Such report shall be prepared in a manner designed to allow members of the Board to ascertain whether the investment activities made during the reporting period have conformed to this policy.

2. Performance -- The Portfolio should achieve a market rate of return during a market environment of stable interest rates. Portfolio performance shall be compared at least quarterly to the yield on the then current 3 month Treasury Bill. Such performance comparison shall be included in the semi-annual Report.